

⇒ EDUCATED BUDGETEER: Welcome Back to School Edition ⇐

BACK TO SCHOOL WITH THE APPROPRIATORS

- As students across the country go back to school, the Senate Labor HHS appropriators have gone back to work also. The Labor HHS bill was reported out of full committee on Thursday, September 3. The following is the introduction to what will be a full semester of work -- crammed into 4 weeks.
- The President’s request for programs under the jurisdiction of the Labor, Health and Human Services, Education, and Related Agencies Subcommittee is nearly \$2.1 billion higher in budget authority (BA) than the Senate subcommittee’s 302(b) allocation. The President was able to request this amount because he assumed passage of tobacco legislation that would have provided \$3.6 billion in funds to the appropriators this year.
- The table below compares the subcommittee’s funding levels for major programs to what the program received last year or would have received under the President’s request.
- Even without the President’s tobacco receipts, the committee increased funds above the 1998 appropriation and above the President’s 1999 request for the following programs: Pell Grants, NIH, Special Education and Impact Aid.
- Observant budgeteers will note that, of the \$2.1 billion the President’s Budget exceeds the subcommittee’s 302(b) allocation, \$851 million is for proposed or never-funded initiatives.

Senate Labor, Health & Human Services Appropriations (BA in \$ millions)					
Selected Accounts	98 Actual	99 Pres. Request	LHHS level	LHHS vs 98	LHHS vs. Pres.
Pell Grants	7.345	7.594	8.869	1.524	1.275
NIH	13.622	14.763	15.582	1.960	0.819
Special Education	4.812	4.846	5.323	0.511	0.477
Impact aid	0.808	0.696	0.810	0.002	0.114
Proposed Literacy Initiative	--	0.260	--	--	-0.260
Training & employment service	5.233	5.323	5.084	-0.149	-0.239
Proposed Education opportunity zones	--	0.200	--	--	-0.200
Medicare user fee proposal	--	0.166	--	--	-0.166
CDC	2.369	2.490	2.363	-0.006	-0.127
Community Learning Centers	0.040	0.200	0.075	0.035	-0.125
Substance abuse & mental health	2.147	2.275	2.151	0.004	-0.124
Education technology	1.275	1.347	1.245	-0.030	-0.102
Ryan White AIDS program	1.150	1.313	1.218	0.068	-0.095
Education for the disadvantaged	7.375	7.767	7.676	0.301	-0.091
Health professions	0.293	0.291	0.210	-0.083	-0.081
College/School partnerships	--	0.140	0.075	0.075	-0.065
Minority teacher recruitment	0.002	0.067	0.002	--	-0.065
Anti-terrorism	0.010	0.070	0.010	--	-0.060
Safe & drug free schools	0.556	0.606	0.556	--	-0.050
Proposed interagency research initiative	--	0.050	--	--	-0.050
Federal TRIO	0.530	0.583	0.540	0.010	-0.043
Vocational & adult education	1.508	1.544	1.507	-0.001	-0.037
Proposed transition to school demnstrtn.	--	0.035	--	--	-0.035

WHERE DOES THE MONEY COME FROM?

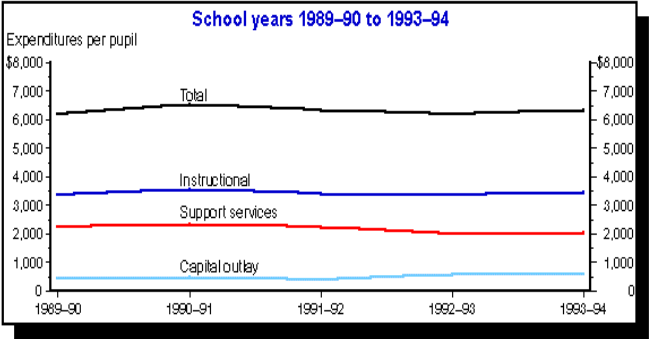
- The American people supported all levels of education to the tune of nearly \$560 billion last year, which amounted to 7.4% of GDP in 1997 (the latest year for which data is available).
- Despite the rhetoric about federal funding of education, the federal government’s share of the total education bill represented only 8.8% last year, up slightly from its share a decade earlier at 8.6%.
- Indeed the federal share of all spending on elementary and secondary education was slightly over 6.5% last year, also up slightly from 6.1% a decade ago.

TOTAL EXPENDITURES FOR EDUCATION (dollars in billions)		
Source of funds by Level	1996-1997	
	Dollars	Percent
Elementary & Secondary		
Federal	22.2	6.6
State	139.2	41.3
Local	140.5	41.7
All Other/Private	34.9	10.4
Subtotal, Elementary & Secondary	336.8	100.0
Postsecondary		
Federal	26.6	12.1
State	50.4	22.9
Local	5.6	2.6
All Other/Private	137.1	62.4
Subtotal, Postsecondary	219.7	100.0
All Levels		
Federal	48.8	8.8
State	189.6	34.1
Local	146.1	26.3
All Other/Private	172.0	30.9
Total, All Levels	556.5	100.0

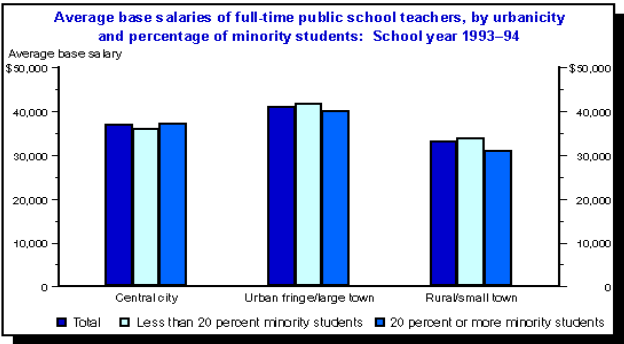
SOURCE: Projected U.S. Department of Education, National Center for Education Statistics, “Common Core of Data” and “Financial Statistics of Institutions of Higher Education,” surveys and unpublished data.

WHERE DOES THE MONEY GO?

- According to Department of Education statistics, there are three main categories for expenditures at the elementary/secondary level: instruction, support services and capital outlays. In the 1993-94 school year, public schools spent \$6,330 per pupil (in 1996 \$). Of that amount, more than half (\$3,449) was spent on instruction, which includes teacher salaries and benefits, supplies and purchased instructional services.
- Between the 1989-90 and 1993-1994 school years, the percentage of total expenditures per pupil on instruction remained relatively constant while the percentage spent on capital outlays increased and the percentage spent on support services decreased.



- In the instructional category, a key part is teacher’s salaries. The average salary between 1980 and 1996 (adjusted for inflation) for public school teachers increased 19 percent, from \$32,332 to \$38,434. How does this compare to other professions? In 1995, the average salary of all bachelor’s degree recipients who earned income was 19% higher than the average salary of public school teachers.
- Also of note, public school teachers at central city schools with a high percentage of minority students had higher average salaries than those at central city schools with a low percentage of minority students (defined by more or less than 20%). Additionally public school teachers in suburban schools had higher average salaries than teachers in either central city or rural/small towns.



MORE RESOURCES TO EDUCATION:
PROVISIONS ENACTED IN 1997
DOUBLED TAX EXPENDITURES FOR EDUCATION

- No review of the federal government’s support for education would be complete without a discussion of tax expenditures. Tax expenditures are revenue losses that result from a grant of special tax relief designed to encourage certain behavior or to aid taxpayers in special circumstances.
- Tax expenditures may be viewed as spending programs channeled through the tax system, and are, in fact, classified in the same functional categories as federal spending. They most often take the form of credits, deductions or exclusions from income.
- The Joint Committee on Taxation estimates that education tax expenditures will total **\$14.3 billion** in 1999, with the largest revenue losses attributed to three tax credits: the HOPE and Lifetime Learning tax credits for post-secondary education and the credit for holders of zone academy bonds (\$6.4 billion in 1999).
- The deduction for charitable contributions to educational institutions will result in a \$3.7 billion revenue loss in 1999, and the deduction for student loan interest will result in a \$0.1 billion revenue loss.
- Parents with children age 19 to 23 who are students may claim a personal exemption for that child, resulting in a \$0.9 billion revenue loss in 1999.
- The remaining tax expenditures for education involve exclusions from income or deferral of tax. Taxpayers may exclude from income: earnings from education IRAs, scholarship and fellowship income, employer-provided educational assistance benefits, interest on educational savings bonds, interest on state and local government student loan bonds, and interest on state and local government bonds for private nonprofit educational facilities, resulting in a \$3.1 billion 1999 revenue loss. Taxpayers may defer tax on earnings of qualified state tuition programs, resulting in a \$0.1 billion 1999 revenue loss.
- Five new education tax expenditures were enacted in last year’s Taxpayer Relief Act of 1997 - the HOPE, Lifetime Learning, and zone academy bond tax credits, a deduction for interest on student

loans, and the exclusion of earnings from education IRAs. Absent these five new provisions, education tax expenditures would have been \$7.3 billion (rather than \$14.3 billion) in 1999.

- The President’s budget for 1999 proposed even more education tax expenditures: tax credits (\$5.0 billion over five years) for holders of new school construction bonds, expansion of the exclusion for employer-provided education assistance (\$1.0 billion over five years), and the elimination of tax when student loans subject to income contingent repayment are forgiven. These revenue losses were to be funded with tobacco receipts.

TAKING ATTENDANCE

- How many students are heading back to school this fall? Statistics from the Census Bureau for 1996 show that more than one-fourth of the population, 70.3 million people, were enrolled in regular school (nursery school through- college).
- About 8.2 million children were enrolled in nursery school or kindergarten (4.2 million in nursery school and 4.0 million in kindergarten).
- Elementary school enrollment (grades 1-8) totaled 31.5 million children; 24.7 million white children, 5.2 million black children and 4.4 million Hispanic children.
- High school enrollment totaled 15.3 million. Is it cool to stay in school? Apparently, the annual drop out rate (grades 10-12) is 4.7 percent. However, the dropout pool of young adults ages 18 to 24 is 31 million people or 12.8 percent of this age group.
- The number of people enrolled in college totaled 15.2 million. About 6.2 million, 40.9 percent of college students were 25 or older.

For informed budgeteers who want to do a little extra reading, there is more information available at the Census Bureau’s website: www.census.gov. Additional details can be found in the subjects A to Z, school enrollment section.

ECONOMICS

HOW FAR DOES THE MONEY GO?

- The following chart shows how the price of education has changed over the last two decades relative to CPI. During the late 1970s, education prices lagged the growth in overall CPI, likely due to a slow adjustment to the surge in inflation. Education prices then rose relative to CPI during the 1980s, before stabilizing at a higher level during the 1990s.

